

EXECUTIVE SECRETARIAT

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Remarks

Received ER, 1345, 6 Sep 85.

Executive Secretary

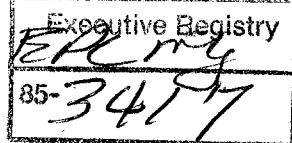
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THE WHITE HOUSE
WASHINGTON



CABINET AFFAIRS STAFFING MEMORANDUM

Date: 9/6/85 Number: 316980CA Due By:

Subject: Economic Policy Council Meeting - September 6, 1985

2:00 P.M. - Roosevelt Room

| ALL CABINET MEMBERS | Action | FYI | | Action | FYI |
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REMARKS:

The Economic Policy Council will meet today at 2:00 P.M. in the Roosevelt Room.

Attached are two additional background papers for this meeting.

RETURN TO:

☐ Alfred H. Kingon
Cabinet Secretary
456-2823
(Ground Floor, West Wing)

☐ Don Clarey
☐ Rick Davis
☐ Ed Stucky

Associate Director

THE WHITE HOUSE
WASHINGTON

September 6, 1985

MEMORANDUM FOR THE ECONOMIC POLICY COUNCIL

FROM: EUGENE J. McALLISTER *EM*

SUBJECT: Agenda and Papers for Today's Meeting

The agenda and paper for today's meeting of the Economic Policy Council are attached. The meeting is scheduled for 2:00 p.m. in the Roosevelt Room.

The single agenda item is the Administration's trade policy strategy. The working group on trade policy strategy has prepared two papers: an analysis of the House Republicans' trade policy proposals and a description of the major initiatives the Administration might seek through a trade bill. Both papers are attached.

THE WHITE HOUSE
WASHINGTON

ECONOMIC POLICY COUNCIL

September 6, 1985

Roosevelt Room

AGENDA

1. Trade Policy Strategy

TRADE OPTIONS FOR HOUSE REPUBLICANS

House Proposals

1. Amend the Export Administration Act to ease restrictions on forming export companies as a way to help small businesses, also improving the process of obtaining export licenses.
2. Provide better protection of the rights of legitimate U.S. inventors by penalizing a foreign country which without authorization makes and sells a product that has a U.S. patent.
3. Through technical amendments to FOIA, require owners of proprietary information filed with the Federal Government to be given the opportunity to challenge requests under FOIA before that info is released.
4. Amend Export Trading Company Act of 1982 to permit groups of companies to improve pooling their resources in setting up export companies.
5. Amend the Export Administration Act to permit sale for export of Alaskan North Slope oil. Sale of such oil to Japan would reduce the U.S. merchandise trade deficit with Japan by \$15 billion per year.
6. Propose a new Reagan Round of trade talks (which the GATT Council is expected to approve on September 10) and give United States Trade Representative the authority to pursue specific reciprocal measures by the U.S. such as removing duty free import status from particular developing countries

Administration Position

1. Forming export companies is covered in House proposal 4; helping small businesses obtain export licenses would not require legislation, but the Administration could support an amendment to showcase its efforts in this regard.
2. Administration supports this principle and any Administration package would likely include provisions on intellectual property rights.
3. Administration supports; this amendment would be included in any Administration package that might be developed.
4. The Export Trading Company Act of 1982 already permits groups of companies to pool resources to establish export trading companies.
5. Administration supports, but strong maritime industry opposition makes it politically very sensitive.
6. Administration supports new negotiating authority, but opposes any authority or requirement to take actions against countries that decline to participate in such negotiations.

House Proposals

unless the developing country participates in new GATT negotiations. Such talks should focus on violations of intellectual property rights such as patents, trademarks, copyrights and trade secrets, trade in services, trade related investment issues (such as eliminating performance requirements), and it should negotiate a code on international information flows.

7. Review performance and strengthen personnel of the Foreign Commercial Service in the Commerce Department which represents small businesses in negotiations with foreign governments and companies.

8. Require U.S. ambassadors to provide annual reports on their embassies' annual export expansion strategy and their annual accomplishments in helping U.S. industry to improve its market position relative to its overseas competitors.

9. Improve Agriculture Department use of the "2 billion dollar war chest" for export enhancement (Bicep).

10. Increase number of Customs Service agents.

11. Provide relief from export disincentives by amending the Foreign Corrupt Practices Act of 1977. Clarify liabilities of foreign agents and make accounting provisions clearer.

Administration Position

7. Administration does not oppose, but notes it duplicates ongoing review.

8. Administration supports this concept, although legislation is not required to implement it.

9. Present guidelines are under continual review to ensure their greatest possible effectiveness.

10. Administration will review this proposal in the next budgetary process.

11. Administration has long supported relief from such export disincentives, and proposed a bill that has foundered in the Congress.

House Proposals

12. Decontrol exports of technology already available overseas (Apple II computers which are on the DOD list of controlled technologies, can be purchased anywhere).
13. Direct the Eximbank to devise a competitive U.S. approach to the mixed credit financing offered by other nations until negotiations result in a satisfactory reduction of this practice.
14. Create a semiprivate nonprofit U.S. export promotion organization managed by representatives from the business community with the support of state and local government trade development groups (financed by private contributions and user fees) designed to support companies new to export marketing.
15. Create a bilateral free trade area with Canada (similar to the one we now have with Israel) to show that the U.S. hopes to keep its borders open and plans to move ahead with other free trading countries.
16. Amend the Trade Adjustment Assistance Act to provide displaced workers with lumpsum payments earmarked for job retraining. Also include incentives for private industry to retrain workers and to administer the Act.
17. Permit individuals to withdraw savings from IRAs for employment retraining without penalty.

Administration Position

12. Such decontrol is already provided for in the Export Administration Act of 1985, and the Department of Commerce is in the process of implementing it through regulations.
13. This is already being accomplished.
14. This unnecessarily duplicates existing export promotion activities.
15. Administration has served the ball to Canada; we anticipate a response from the Canadian Government in the next 30 days.
16. This is under review by an EPC working group; the Secretary of Labor will make specific proposals on trade adjustment assistance.
17. This will be reviewed by an EPC working group.

- 4 -

House Proposals

18. Permit displaced workers to enroll in employment training programs without penalizing their ability to receive unemployment compensation.

19. Call for a broad-based bipartisan Business/Labor/Congressional Commission on Trade to re-evaluate trade laws on the books in the context of current economic conditions consistent with Section 135 of the 1984 Trade Act which provides for private sector cooperation in determining trade problems.

20. Call for new international monetary conference (Secretary Baker has endorsed) in an effort to improve cooperation on international financial issues. Among the items to consider is a Common Market type of currency between the U.S., Japan and Canada to decrease the disparity between the yen and the dollar. Cite new August 1985 CEO study showing that more than 80 percent of trade deficit is due to overvalued dollar. Encourage linking trade and monetary policies in meetings with our major trading partners.

21. Re-evaluate IMF and World Bank practices of giving funds to countries who subsidize exports which penetrate U.S. markets (East Germany, Chile, Zaire and Zambia which export copper).

22. Amend Section 301 of Trade Act so that USTR, if it determines that a foreign country is unfairly targeting a product, should suspend benefits of trade concessions to carry out

Administration Position

18. This will be reviewed by an EPC working group.

19. This will be reviewed by the EPC at the September 6 meeting.

20. The concept is acceptable, but the wording should be taken from the EPC paper on this subject.

21. This is already covered under existing law.

22. In proposals 22 through 24, the Administration opposes delegating authority from the President to the U.S. Trade Representative. The

- 5 -

House Proposals

trade agreements or direct customs officers to impose import restrictions on goods or assess fees or impose restrictions on services of such a country for a given period of time.

All such actions would be subject to Presidential veto.

Administration Position

targeting issue is addressed in the Administration's trade policy statement.

23.

Amend Section 201 of Trade Act so that USTR has final authority to grant temporary import relief to injured industries following investigations by the ITC to determine whether trade in a particular good has been affected by foreign government actions and the extent to which the U.S. is the focal point for exports of such an article. The USTR will then negotiate with the country to establish more equitable, fair and nondisruptive patterns of trade in such an article.

23.

Same comment concerning delegation of authority as above. Administration opposes this option, which would subvert Section 201 into an unfair trade remedy, which it is not and should not be.

24.

Encourage USTR to take further specific Section 301 actions that emphasize U.S. willingness to retaliate against unfair overseas trade practices where necessary, including the removal of duty-free import status from the offending nation's top two export commodities upon confirmation of illegal trade practices.

24.

Same comment concerning delegation of authority as above. Administration is already vigorously enforcing Section 301 through self-initiated investigations.

September 6, 1985

POSSIBLE ADMINISTRATION LEGISLATIVE PROPOSALS

The Administration trade package could include a legislative initiative. In addition to acceptable proposals in the House Republican trade package, the Administration initiative could include the following elements:

1. Trade Negotiating Authority.

An Administration bill would provide comprehensive legislative authority to support its trade negotiating initiatives, including:

- authority for a new round of negotiations, already endorsed by the President in his State of the Union message and actively pursued within the GATT;
- extension of our non-tariff barrier authority, which otherwise expires January 3, 1988;
- authority to reduce tariffs; and
- authority to offer compensation to other countries when the U.S. increases tariffs (through Congressional action or Customs reclassification), to avoid unilateral foreign retaliation against U.S. exports.

2. Intellectual Property Rights.

We should also provide further protection to intellectual property rights (patents, copyrights or trademarks), including:

- protection against trade in articles that infringe U.S. process patents;
- extension of the patent term for agricultural chemicals to match that for pharmaceutical inventions; and
- termination of Freedom of Information Act abuse by giving affected companies notice and an opportunity to oppose release of their business confidential information.

3. Improving the Antidumping and Countervailing Duty Laws.

Because the antidumping law does not work for non-market economy (NME) countries and the countervailing duty law currently is not applied to them, we need to substitute a predictable pricing test (along the lines of one proposed by Senator Heinz). We should also effect less significant revisions to those laws, including:

- clarification of standing requirements to file a petition;
- elimination of two-tiered judicial review, and limitation to one appeal of agency decisions to the Court of Appeals for the Federal Circuit;
- revision of the "critical circumstances" standards so that more timely relief can be provided more often;
- limited application of the injury test for countries not party to the Subsidies Code (or equivalent agreements);
- codification of existing Administration practice regarding provision of the injury test in counter-vailing duty cases to less developed countries; and
- other technical amendments proposed by the Administration last year but not enacted at that time.

4. Section 301.

Two amendments to section 301 would include:

- enactment of a 24-month deadline on dispute settlement; and
- provision of extensions at petitioner's request.

5. Section 201.*

We could usefully amend section 201 in two ways:

- provision of some type of "fast track" procedure for perishable agricultural items; and
- promotion of structural adjustment, by requiring the International Trade Commission to assess the petitioning industry's prospects for adjustment to changing conditions of competition.

*/ Some in the TPRG noted that proposing amendments to section 201 in particular may aggravate the risk (already inherent in any Administration trade package) of inviting protectionist riders.

6. Statement of National Trade Policy Objectives.

The preface to any Administration trade bill would be a clear, forceful statement of the Administration's trade policy objectives.